

Message Text

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ACTION ARA-15

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 7738

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN

AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L SECTION 1 OF 2 GEORGETOWN 3198

FOR UNDER SECRETARY NEWSOM AND AID ADMINISTRATOR GILLIGAN

E.O. 11652: GDS

TAGS: EAID, EFIN, XL

SUBJECT: CARIBBEAN POLICY--A REGIONAL APPROACH

REF: STATE 235978

1. FROM THE PERSPECTIVE OF GUYANA I WAS PLEASANTLY SUPRISED BY THE APPARENT SUCCESS OF THE WORLD BANK MEETING ON THE CARIBBEAN HELD IN WASHINGTON JUNE 19-24. FROM ITS INCEPTION THIS INITIATIVE HAS BEEN ATTRACTIVE TO THE GOG, AND, I SUSPECT, THE OTHER CARICOM GOVERNMENTS ENTIRELY IN TERMS OF WHAT ADDITIONAL BILATERAL ASSISTANCE MIGHT FLOW FROM IT. "ADDITIONALITY" HAS BEEN THE CATCH WORD ON THE LIPS OF GUYANESE OFFICIALS AND THE CONCERNED OFFICIALS OF THE GOVERNMENTS OF JAMAICA, BARBADOS AND THE ASSOCIATED STATES. IT IS NOT SURPRISING THEREFORE THAT THE PRINCIPAL TOPIC AT THE JUNE MEETING WAS THE CREATION OF THE CARIBBEAN DEVELOPMENT FACILITY. THIS WAS A PROPOSAL WHICH INDIVIDUAL
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CARICOM GOVERNMENTS FOUND ATTRACTIVE AND COULD ASSOCIATE WITH BECAUSE IT SEEMED TO PROMISE AN ADDITIONAL FLOW OF ASSISTANCE.

2. DESPITE ALL THE PIOUS RHETORIC WHICH HAS BEEN EXPENDED ON THE IDEA OF A REGIONAL APPROACH, GOING BACK TO THE CREATION OF CARICOM ON JULY 4, 1973, AND EVEN

BEFORE, THE INDIVIDUAL GOVERNMENTS OF THE COMMONWEALTH CARIBBEAN HAVE BEEN, ECONOMICALLY AT LEAST, MORE INTERESTED IN THEIR INDIVIDUAL WELL-BEING RATHER THAN IN SUBORDINATING THEIR OWN PERCEIVED WANTS AND NEEDS TO ANY REGIONAL COMMONWEAL. I SUSPECT THAT THIS SITUATION WILL CONTINUE FOR THE FORESEEABLE FUTURE. EACH ONE OF THESE GOVERNMENTS WITH THE POSSIBLE EXCEPTION OF TRINIDAD AND TOBAGO HAS PRESSING NEEDS WHICH THE INDIVIDUAL POLITICAL LEADERS CONSIDER OF PRIMARY IMPORTANCE. IT WILL ONLY BE AT SUCH TIME AS THERE IS A GENERAL IMPROVEMENT IN THE ECONOMIES OF THESE COUNTRIES THAT THE POLITICAL LEADERSHIP WILL BE DEFLECTED FROM THEIR INTROSPECTION AND WILLING TO LOOK AT REGIONAL PROJECTS IN ANY MEANINGFUL AND SERIOUS WAY.

3. IN VIEW OF THE SITUATION ABOVE DESCRIBED IT WILL BE UP TO THE U.S. AND THE OTHER DONORS TO TAKE THE LEAD IN FORCING REGIONAL PROJECTS AND INITIATIVES ON THE INDIVIDUAL GOVERNMENTS. TO SUCCEED THIS WILL REQUIRE A FAIRLY CAREFULLY THOUGHT OUT AND VIGOROUS CARROT-STICK APPROACH. IT WILL ALSO REQUIRE, IF IT IS TO SUCCEED, THAT THE REGIONAL PROPOSALS BE SENSIBLE AND COMPATIBLE WITH THE FUTURE NEEDS OF THE CARIBBEAN. THIS IS ESPECIALLY IMPORTANT SINCE OUR BILATERAL PROGRAMS ARE ALREADY FINANCING BOTH LOCAL CURRENCY AND FOREIGN EXCHANGE COSTS OF PROJECT ACTIVITIES AND HOST GOVERNMENTS ARE CONFIDENTIAL

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LIKELY TO LEAN ON US HEAVILY TO ASSIST IN THEIR PARTICIPATION IN REGIONAL PROJECTS.

4. MANY OF THE GOVERNMENTS IN THIS PART OF THE WORLD ARE LED BY GIFTED AND ARTICULATE POLITICIANS WHO HAVE LITTLE PRACTICAL KNOWLEDGE IN THE FIELD OF ECONOMICS. AS A CONSEQUENCE THEY HAVE OFTEN OPTED TO PURSUE DEVELOPMENTAL POLICIES WHICH HAVE MADE LITTLE OR NO ECONOMIC SENSE EITHER IN TERMS OF NATIONAL OR REGIONAL DEVELOPMENT. THESE POLICIES HAVE BEEN PURSUED FOR POLITICAL REASONS RATHER THAN TO ACHIEVE ANY SOLID ECONOMIC GOALS. THUS WE SEE JAMAICA, IN THE SPACE OF A YEAR OR SO, SQUANDERING THE GREAT WINDFALL IT HAD ACHIEVED BY RENEGOTIATING ITS CONTRACTS WITH THE ALUMINUM COMPANIES IN 1974. IN THE SAME WAY GUYANA MANAGED TO SPEND PRODIGALLY THE WINDFALL PROFIT ACHIEVED FROM THE SUGAR HARVESTS OF 1974 AND 1975 WHEN THE WORLD PRICE FOR THIS COMMODITY HAD SHOT UP TO ALMOST SIX TIMES ITS PRESENT LEVEL. IN FACT IF ONE GOES BACK EVEN FURTHER TO THE IMMEDIATE PRE-AND POST-INDEPENDENT PERIODS ONE COULD PROBABLY MAKE THE STATEMENT THAT THE ECONOMIES OF THESE VARIOUS COUNTRIES, AGAIN WITH THE

EXCEPTION OF TRINIDAD AND TOBAGO AND TO A LESSER EXTENT
BARBADOS, WERE MUCH HEALTHIER THEN THAN THEY ARE TODAY.

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C O N F I D E N T I A L SECTION 2 OF 2 GEORGETOWN 3198

FOR UNDER SECRETARY NEWSOM AND AID ADMINISTRATOR GILLIGAN

5. BECAUSE OF THIS IT SEEMS THAT WHAT WE NEED IN TERMS
OF A REGIONAL EFFORT JUST NOW IS ONE WHICH WILL
ENCOURAGE WHAT FREE ENTERPRISE STILL EXISTS IN THE
REGION. THE CARIBBEAN HAS NEVER LACKED FOR TALENTED AND
AMBITIOUS ENTREPRENEURS. UNFORTUNATELY GOVERNMENTAL
POLICIES OVER THE YEARS HAVE OFTEN TIMES TENDED TO LIMIT
THE OPPORTUNITIES AVAILABLE TO THESE INDIVIDUALS AND TO
PREVENT THEM FROM MAKING A CONTRIBUTION TO THE ECONOMIC
DEVELOPMENT OF THEIR COUNTRIES. BY THE SAME TOKEN OUR
BILATERAL PROGRAMS IN THESE VARIOUS COUNTRIES, FUNNELED
AS THEY HAVE BEEN THROUGH GOVERNMENTS, HAVE UNINTENTIONALLY
CONTRIBUTED TO THE GENERAL DAMPENING AFFECT ON THE PRIVATE
SECTOR. THE AVAILABILITY OF WORKING CAPITAL AND HOST GOVERNMENT
EXCHANGE CONTROLS REMAIN PROBLEMS TO THESE PRIVATE ENTREPRENEURS.
THEREFORE, AS THE FIRST NEW REGIONAL INITIATIVE, SHOULD WE NOT
ATTEMPT TO DEVISE A MECHANISM WHICH WOULD DIRECTLY ASSIST PRIVATE
ENTERPRISE IN THE CARIBBEAN? BY THAT I DO NOT MEAN
FOREIGN INVESTORS; RATHER WOULD HAVE US ASSIST THE
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PRIVATE INDIGENOUS CAPITALIST TO AID IN HIS OWN NATION'S DEVELOPMENT. IF SUCH A MECHANISM CAN BE CREATED, I AM CERTAIN THAT IN A RELATIVELY SHORT PERIOD OF TIME IT CAN HAVE IMPORTANT CONSEQUENCES FOR THE REGION.

6. IN THE MEANTIME, OF COURSE, I BELIEVE WE SHOULD BEND OUR BEST EFFORTS IN USING THE IBRD CARIBBEAN INITIATIVE AS THE VEHICLE FOR URGING EXTRA-REGIONAL DEVELOPED GOVERNMENTS SUCH AS GERMANY AND JAPAN TO PLAY MORE ACTIVE ROLES IN THE DEVELOPMENT OF THE REGION. THE TWO COUNTRIES NAMED OF COURSE DO REALIZE TRADING ADVANTAGES FROM THE REGION AND SHOULD THEREFORE BE WILLING TO CONTRIBUTE TO IS ECONOMIC WELL-BEING.

7. EXPANSION OF CARIBBEAN GROUPING TO INCLUDE CENTRAL AMERICA AND OTH3R BASIN COUNTRIES WOULD, IN OUR VIEW, ELICIT LUKEWARM REACTION BY GOG. REGIONALISM, IN GOG THINKING, IS ESSENTIALLY RESTRICTED TO THE TWELVE MEMBER STATES OF THE CARIBBEAN COMMONWEALTH. IDENTIFICATION WITH THIS PARTICULAR GROUPING STEMS, OF COURSE, FROM SIMILARITY OF INSTITUTIONS, HISTORICAL DEVELOPMENT, ETHICITY, LANGUAGE, ECT. WHILE WE BELIEVE GOG WOULD NOT BE ADVERSE TO AN EXPANDED GROUPING, THEY WOULD BE MUCH MORE COMFORTABLE AMONG "THEIR OWN."

8. IT CERTAINLY WOULD RPT WOULD BE USEFUL FROM MY POINT OF VIEW TO HAVE A FALL MEETING TO DISCUSS REGIONAL DEVELOPMENT IN THE CARIBBEAN AT WHICH EMBASSIES AND AID MISSION WOULD BE REPRESENTED. THIS WOULD BE THE FIRST ATTEMPT TO INVOLVE OUR EMBASSIES IN THE REGION SO DIRECTLY IN THE IBRD CARIBBEAN INITIATIVE. FOR THE INITIAL SESSION I BELIVE IT IMPORTANT THAT AMBASSADORS AND AID DIRECTORS ATTEND. SUBSEQUENT SESSIONS, TIMED

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TO FOLLOW UP ON OR PRECEDE MEETINGS OF THE WORLD BANK CARIBBEAN GROUP COULD HAVE REPRESENTATION AT A LOWER LEVEL. FRANKLY, I HAVE FELT THAT IT WAS A MISTAKE NOT TO ENGAGE EMBASSIES MORE CLOSELY AS THE IBRD INITIATIVE TOOK SHAPE. I FEEL IT IS NOT TOO LATE FOR ME AND THE OTHER CHIEFS OF MISSION TO MAKE OUR MODEST CONTRIBUTIONS. (WHILE DRAFTING THIS I SAW KINGSTON'S 7839 AND CAN ONLY CONCLUDE THAT THE OLD SAW ABOUT A GREAT MINDS AND SIMILAR CHANNELS HAS CONTINUING VALIDITY.) SUCH A MEETING NEED NOT BE HELD IN WASHINGTON BUT COULD BE STAGED IN THE REGION AT SOME GEORGRAPHICALLY CENTRAL LOCATION. MY AID

MISSION DIRECTOR EDNA BOORADY AND I STAND READY TO
PARTICIPATE.
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